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September 19, 2023

To the Members of the Board of Selectmen
Town of Deerfield
8 Raymond Road, PO Box 159
Deerfield, NH 03037

Dear Members of the Board of Selectmen:

We have audited the financial statements of the governmental activities, the major governmental fund, and aggregate remaining fund information of the Town of Deerfield for the year ended December 31, 2022, and have issued our report thereon dated September 18, 2023. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 16, 2021, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town of Deerfield solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter dated March 16, 2021.

Compliance With All Ethics Requirements Regarding Independence

The engagement team, others in our Firm, as appropriate and our Firm, have complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201 and in conjunction with the Firm's Quality Control Document, we annually review with all engagement staff potential conflicts and obtain an independence certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

PLODZIK & SANDERSON, P.A.
Certified Public Accountants

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Significant Risks Identified

We have identified the following significant risks through our risk assessment procedures. These risks are identified universally in New Hampshire governmental entity audits performed by our firm. As a result of these risks the engagement team developed an audit approach that specifically addresses these significant risks:

- Management override of controls; and
- Improper revenue recognition.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town of Deerfield is included in Note 1 to the financial statements. As described in Note 2-D to the financial statements, the Town of Deerfield changed accounting principles to change the way the Town reports leases, by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in the fiscal year 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the capital asset useful lives is based on historical information and industry guidance. We evaluated the key factors and assumptions used to develop the capital asset useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible property taxes are based on historical data and information known concerning the assessment appeals. We evaluated the key factors and assumptions used to develop the uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued landfill postclosure care costs is based on estimates provided by the Town's engineer. We evaluated the key factors and assumptions used, by the Town's engineer, to develop the accrued landfill postclosure care costs in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability, deferred outflows and inflows of resources related to pensions are based on assumptions of future events, such as employment, mortality and estimates of value of reported amounts. We evaluated the key factors and assumptions used to develop the net pension liability, deferred outflows and inflows of resources related to pensions in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other postemployment benefit liability, deferred outflows and inflows of resources are based on the assumption of future events, such as employment, mortality, and healthcare cost trend, as well as estimates of the value of reported amounts. We evaluated key factors and assumptions used to develop the other postemployment benefits liability, deferred outflows and inflows of resources related to the other postemployment benefits in determining that they are reasonable in relation to the financial statements taken as a whole.



Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

There are no significant or unusual transactions identified during our audit.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Adjustments proposed and approved were primarily of a routine nature which management expects the independent auditors to record as part of their year-end procedures. A list of these adjustments for all funds is attached to this letter.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2023.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Deerfield's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Key Audit Matters

We have determined that there are no key audit matters to communicate.

Modification of the Auditor's Report

We have made the following modification to our auditor's report. An adverse opinion will be issued on the governmental activities. The circumstances that have led to this modification is as follows:

The Town has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.



Other Audit Matters, Findings, or Issues

In the normal course of our professional association with the Town of Deerfield, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the Town, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town of Deerfield's auditors.

Capital Asset Policy (repeat comment)

At present, no formal capital asset policy exists. Such a policy is required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. We suggest a policy be implemented to more effectively control and account for the Town's capital assets. We suggest the present capital asset process be reviewed and documented to control the Town's practice more effectively in this area. To accomplish this goal, we suggest the following:

- Establish a minimum dollar amount for capitalization.
- Prepare written guidelines for proper account classification of all capital asset additions.
- Prepare written guidelines to ensure the reporting and approval of capital asset dispositions.

Implementation of the above recommended policy will create more accurate and consistent accounting treatment for the purchase and disposal of capital assets.

*On May 8, 2023, at the monthly Board meeting, the Board voted to adopt a capital asset and depreciation policy.

Library Debit Card (repeat comment)

During our review of internal controls over Library disbursements, we noted the use of a debit card. The use of debit cards is an inherently risky practice. Allowing the use of a debit card enables Library funds to be disbursed without prior required review and authorization of the Library Trustees. We recommend that if the library intends to continue the use of debit cards that appropriate internal controls be developed and implemented. These controls should include safe storage of any physical debit cards, checks and balances and appropriate monitoring of the activity on a regular basis.

Transfer Station Deposits (repeat comment)

While reviewing transfer station deposits, we noted that collections are held more than five days prior to remittance to Town offices for deposit. We recommend that all collections be deposited within five days and of receipt to minimize and at a minimum of at least weekly to avoid deposits being held over the weekend, to lower the risk of loss or theft.

Other Matters

Implementation of New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, issued in May 2019, will be effective for the Town with its fiscal year ending December 31, 2023. This Statement will provide a single method of reporting conduit debt obligations and eliminate differences in practice.

GASB Statement No. 92, *Omnibus 2020*, issued in January 2020, will be effective for the Town with its fiscal year ended December 31, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued in March 2020, will be effective for the Town with its fiscal year ended December 31, 2023. The objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).



GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued in May 2020, will be effective for the Town with its fiscal year ended December 31, 2023. The objectives of this Statement are to provide guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users.

GASB Statement No. 99, *Omnibus 2021*, issued in April 2022, will be effective for the Town with its fiscal year ended December 31, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*, issued in June 2022, will be effective for the Town with its fiscal year ended December 31, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, issued in June 2022, will be effective for the Town with its fiscal year ended December 31, 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

We applied certain limited procedures to the following, which are required supplementary information (RSI) that supplements the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information


Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund schedules which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the members of the Board of Selectmen and management of the Town of Deerfield and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,


PLODZIK & SANDERSON
Professional Association
Concord, New Hampshire

Attachment:

Adjusting Journal Entries for Governance Letter



Client: **2015 - Town of Deerfield**
Engagement: **2022 - Town of Deerfield**
Period Ending: **12/31/2022**
Trial Balance: **001.0000 - Government Fund Trial Balance**
Workpaper: **910.0031 - Adjusting Journal Entries for Governance Letter**
Fund Level: **Fund**
Index: **01, 05, 20, 50, 80, 81, 99, 25, 06**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		508.1000		
AUDIT ONLY: To reclassify other special revenue funds from fund 99				
99.2495.00.000	Restricted Fund Balance		65,502.00	
99.3502.00.000	Interest income		458.00	
99.3920.00.000	Additions to escrow		8,547.00	
99.1010.00.530	Fire Dept Equipment Fund			2,379.00
99.1010.00.548	Forest Maintenance			29,274.00
99.1010.00.598	Heritage Foundation			6,408.00
99.1010.00.746	Police Dept - pistol permits			1,108.00
99.1010.00.829	Town Hall Accessibility Fund			7,922.00
99.1010.00.845	Town Planner Fees			5,090.00
99.1010.00.936	Wheelabrator Comm Grant			1,622.00
99.1010.00.952	Veasey Park			5,297.00
99.5000.00.000	Escrow expenditures			15,407.00
Total			<u>74,507.00</u>	<u>74,507.00</u>
Adjusting Journal Entries JE # 2		508.1000		
AUDIT ONLY: To reclassify town impact fees from fund 99				
99.2495.00.000	Restricted Fund Balance		78,749.00	
99.3502.00.000	Interest income		499.00	
99.3920.00.805	Impact fees collected - Highway		16,620.00	
99.3920.00.821	Impact fees collected - Solid Waste		5,290.00	
99.1010.00.805	Impact Fees - Highway			51,562.00
99.1010.00.821	Impact Fees - Solid Waste			12,208.00
99.5000.00.000	Escrow expenditures			37,390.00
Total			<u>101,158.00</u>	<u>101,158.00</u>
Adjusting Journal Entries JE # 3		604.1000		
AUDIT ONLY: To reclassify school impact fees from fund 99				
99.2495.00.000	Restricted Fund Balance		116,553.00	
99.3502.00.000	Interest income		390.00	
99.3920.00.813	Impact fees collected - school		21,680.00	
99.1010.00.813	Impact fees - School			4,489.00
99.5000.00.000	Escrow expenditures			134,134.00
Total			<u>138,623.00</u>	<u>138,623.00</u>
Adjusting Journal Entries JE # 4		602.9000		
AUDIT ONLY: To reconcile escrows BFB by recording PY AJE #40				
99.2495.00.000	Restricted Fund Balance		1,357.00	
99.1310.00.000	Due to General Fund			1,357.00
Total			<u>1,357.00</u>	<u>1,357.00</u>
Adjusting Journal Entries JE # 5		300.1110		
To reclassify school check dated after year end that cleared early				
01.2075.08.000	Due to School		1,200,000.00	
01.1010.02.000	Cash			1,200,000.00
Total			<u>1,200,000.00</u>	<u>1,200,000.00</u>
Adjusting Journal Entries JE # 6		400.5200		
AUDIT ONLY: To reclassify school and county payments against property tax revenue				
01.3110.01.000	Property Taxes		12,732,003.00	
01.3110.01.001	Paid to School			12,107,408.00
01.3110.01.002	Paid to County			624,595.00
Total			<u>12,732,003.00</u>	<u>12,732,003.00</u>
Adjusting Journal Entries JE # 7		400.4400		
AUDIT ONLY: To adjust assigned fund balance - encumbrances to actual				
01.2530.01.000	Undesignated Fund Balance		9,991.00	
01.2490.01.000	Reserve for Encumbrances - Prior Year			9,991.00
Total			<u>9,991.00</u>	<u>9,991.00</u>
Adjusting Journal Entries JE # 8		400.6100		
AUDIT ONLY: To reclassify trust fund expenses for fire panel invoice reimbursed posted to the incorrect account				
01.4916.01.132	Trust Fund Expenses		7,280.00	
01.4194.02.430	GBW Repairs & Maintenance			7,280.00
Total			<u>7,280.00</u>	<u>7,280.00</u>
Adjusting Journal Entries JE # 9		300.8300		
To record retainage payable				
01.4312.03.735	RR Hot Top/Grinding		9,968.00	
01-2100-000	Retainage Payable			9,968.00
Total			<u>9,968.00</u>	<u>9,968.00</u>
Adjusting Journal Entries JE # 10		400.4100		
AUDIT ONLY: To adjust nonspendable fund balance to actual				
01.2500.01.000	Nonspendable fund balance		150,455.00	

01.2530.01.000	Undesignated Fund Balance			150,455.00	
Total			150,455.00	150,455.00	
Adjusting Journal Entries JE # 11					
		300.1420			
To record change in allowance for uncollectible accounts per summary at 300.1420					
01.1080.06.000	Allowance for uncollectible accounts		3,144.00	3,144.00	
01.3110.02.000	Overlay				
Total			3,144.00	3,144.00	
Adjusting Journal Entries JE # 12					
		602.0000			
To net down duplicate entry for Estreall property activity					
99.3920.00.000	Additions to escrow		141,036.00	141,036.00	
99.2080.99.000	Due to/from General Fund				
Total			141,036.00	141,036.00	
Adjusting Journal Entries JE # 13					
		602.1000			
AUDIT ONLY: To record additional interfund in Fund 99 related to Escrows in order to balance					
99.5000.00.000	Escrow expenditures		7,101.00	7,101.00	
99.1310.00.000	Due to General Fund				
Total			7,101.00	7,101.00	
Adjusting Journal Entries JE # 14					
		300.8100			
AUDIT ONLY: To net down interfund activity					
01.2080.03.000	Due To Recreation Revolving Fund		175,153.00		
01.2080.09.000	Due To Special Detail Revolving Fund		158,195.00		
01.2080.81.000	Due to Joe Stone Fund		1,025.00		
50.2080.03.000	Due to General Fund Special Detail Revolving Fund		158,195.00		
80.2080.03.000	Due To General Fund		175,153.00		
81.2080.03.000	Due To General Fund		1,025.00		
01.1310.02.000	Due From Recreation Revolving Fund			175,153.00	
01.1310.09.000	Due from Special Detail Revolving Fund			158,195.00	
01.1310.81.000	Due from Joe Stone Fund			1,025.00	
50.1310.02.000	Due from General Fund SD			158,195.00	
80.1310.02.000	Due From General Fund			175,153.00	
81.1310.02.000	Due From General Fund			1,025.00	
Total			668,748.00	668,748.00	
Adjusting Journal Entries JE # 21					
		300.2110			
AUDIT ONLY: To reclassify intergovernmental payables and interfunds					
01.2020.01.000	Accounts Payable		33,990.00		
01.2020.01.000	Accounts Payable		7,150.00		
01.2070.00.001	Intergovernmental Payables			33,990.00	
01.2080.07.000	Due to Trust Funds			7,150.00	
Total			41,140.00	41,140.00	
Total Adjusting Journal Entries			15,286,509.00	15,286,509.00	
Total All Journal Entries			15,286,509.00	15,286,509.00	